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Before the  
Federal Communications Commission  
Washington, D.C. 20554

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AUG 16 2001

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In the Matter of )

Developing a Unified Intercarrier )  
Compensation Regime )

CC Docket No. 01-92

**COMMENTS OF UNITED UTILITIES, INC.  
IN REPLY TO ORDER RELEASED APRIL 27, 2001**

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The Notice of Proposed Rulemaking (NPRM) seeks comment on the potential adoption of a bill-and-keep approach to reciprocal compensation payments governed by section 251 of the 1996 Act, and the eventual application of bill and keep to interstate access charges regulated under section 201 of the Communications Act of 1934. The NPRM seeks comment on, among other things, whether imposing any particular unified intercarrier compensation regime only with respect to rates that the Commission currently regulates would lead to distortions or other problems.

United Utilities, Inc. (United) is an Indian owned incumbent local exchange carrier, serving approximately 6,900 access lines in fifty seven (57) remote Alaskan communities. The largest community, St. Mary's, has approximately 318 access lines. The smallest community, Birch Creek, has approximately 18 access lines. The average number of access lines in the communities served by United is 121 access lines. These communities are spread out over 200,000 square miles and most are accessible only by air. Inhabitants are predominately native Alaskans who live a subsistence life style. The communities United serves have been designated by the Denali Commission as being "economically distressed". The average resident, by federal standards, lives at or below the threshold used to measure "poverty".<sup>1</sup> Following is a summary of United's revenues for the year 2000.

Table 1  
United Utilities, Inc.  
2001 Access Revenues (\$ in Millions)

	<u>Interstate</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
<u>Access Revenue</u>				
Carrier Common Line	\$ .1	\$1.1		\$1.2
Long Term Support	.9			.9
Traffic Sensitive	1.0	1.3		2.3
Basic Access			\$2.3	2.3
Federal SLC			.3	.3
Special Access/Misc.	<u>.3</u>	<u>—</u>	<u>—</u>	<u>.3</u>
Access Revenue Total	\$2.3	\$2.4	\$2.6	\$7.3
Percent	32%	33%	35%	100%

Assuming that United would go to a bill and keep regime i.e. IXCs were able to originate and terminate traffic for free on United's network, then United will have to bill its local customers for all of its network costs (bill and keep). Table 1 then, under bill and keep, might look like this.

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<sup>1</sup> Denali Commission, Distressed Community Report, May 2001

Table 2  
Elimination of Access Charges  
Bill and Keep (\$ in Millions)

	<u>Interstate</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
<u>Access Revenue</u>				
Carrier Common Line	na	na	\$1.2	\$1.2
Long Term Support			.9	.9
Traffic Sensitive	na	na	2.3	2.3
Basic Access			2.3	2.3
Federal SLC			.3	.3
Special Access/Misc.	<u>.3</u>	<u>—</u>	<u>na</u>	<u>.3</u>
Access Revenue Total	.3		7.0	\$7.3
Percent	4%		93%	100%

Table 3 shows what the impact would be on the rates that local customers would have to pay should interexchange carriers not have to pay United to use its facilities to originate and to terminate long distance traffic.

Table 3  
Impact of Bill and Keep  
on Local Rates (\$ in Million)

	<u>Residential</u>	<u>Business</u>	<u>Total</u>
Existing Local Rates	\$19.23 per month	\$34.00 per month	
Business Rate Factor	1.0	1.8x	
# Access Lines	4,309	2,567	6,876
<u>Access Shift to Bill and Keep</u>			
Interstate	\$1.0	\$1.0	\$2.0
State	<u>1.2</u>	<u>1.2</u>	<u>2.4</u>
Total Shift	\$2.2	\$2.2	\$4.4
Shift Per Line	\$42.55	\$71.42	
Rate After Shift	\$61.78	\$105.42	
Existing Anchorage, Alaska			
Urban Rates	\$9.70	\$25.75	

United does not currently receive sufficient universal service funding to permit it to offer basic exchange access services at rates that are reasonably comparable to Alaskan urban rates. The Anchorage basic residential exchange rate is \$9.70 per month. United's basic residential exchange rate is \$19.23, or twice the urban rate. While movement to a bill and keep regime would increase the rates paid by urban residential users a significant disparity between rural and urban rates would very likely still exist. United's residential rate under bill and keep would be approximately \$62.00 a month. An amount that United's customers clearly cannot afford.

United currently has approximately 1,900 Lifeline participants. Many of United's other residential customers do not participate in qualifying low income assistance programs. And a number of other residential customers who qualify for the Lifeline program either choose not to participate or for whatever reason have simply not signed up. United estimates that its household penetration rate has increased by over ten percent as a result of the Lifeline program. Statewide, households with less than \$19,999 in annual income, household telephone penetration has increased by approximately eight percent from March 1998 (year federal Lifeline benefits were increased) to March 2000.<sup>2</sup>

Under a bill and keep regime United cannot offer affordable local exchange rates, or rates that are reasonably comparable to those rates paid by urban consumers.<sup>3</sup> United is opposed to access reform measures, including bill and keep, that impair its ability to be able to recover the costs of providing facilities that enable the customers of long distance carriers to be able to originate and terminate long distance calls. Access revenues help pay for local exchange facilities and thereby permit local exchange rates in rural communities to be more comparable to those in urban areas and to be more affordable.<sup>4</sup>

Respectfully submitted,



Steve Hamlen

President

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<sup>2</sup> FCC Telephone Penetration By Income By State, Released July 2001

<sup>3</sup> This in contrary to the Act's Universal Service goals (Section 254(b)(3)).

<sup>4</sup> In 1999 United's affiliate, Unicorn, introduced cellular service for the first time into 13 villages. While cell service is non profitable local residents rely on the service for mobile communications and use it for public safety purposes. Should Unicom, or any other CMRS provider (none currently exist), have to pay rates for interconnection that resemble rates charged to long distance carriers for access cellular service would become so expensive that it would not be feasible.